

## **DEPARTMENT OF FINANCE AND ADMINISTRATION - Policy 15**

### **Policy 15 - Assigning Payment Dates for the Processing of Disbursement Vouchers for Payment of Invoices**

#### **Basis for Authority and General Rules**

##### **Applicable State Law**

1. According to T.C.A. 4-3-1007, the Department of Finance and Administration has the power and is required to: (1) maintain a system of general accounts embracing all the financial transactions of state government; (2) Examine and approve all contracts, requisitions, orders, payrolls and other documents, the purpose of which is to incur financial obligations against the state government, and ascertain that moneys have been duly appropriated and allotted to meet such obligations and will be available when such obligations will become due and payable... (10) Exercise the rights, powers and duties (except the power to collect taxes), conferred by law upon the comptroller of the treasury ...insofar as these provisions relate to financial administration and general accounting control of the state government, involving the keeping of general accounts, the auditing before payment of all bills, vouchers and the authorization of all claims against the state for which appropriations have been made..."

2. T.C.A. 12-4-703 states that "An agency which acquires property or services pursuant to a contract with a business shall pay for each complete delivered item of property or service in accordance with the provisions of the contract between the business and agency or, if no date or other provision for payment is specified by contract, within forty-five (45) days after receipt of the invoice covering the delivered items or services."

##### **General Rules**

3. All agencies, departments, or institutions of the State that pay invoices by submitting a disbursement voucher to the Division of Accounts requesting payment for the acquisition of property or services shall determine the payment date for those invoices according to this policy. Compliance with this policy statement will aid the State in making payments under contracts not later than the payment date as defined in this policy statement. Payment must be based on receipt of proper invoices or progress payment requests and satisfactory performance of contract terms. Implementation of this policy statement is consistent with sound cash management practices. The payment date shall be recorded in the due date field in STARS. The disbursement voucher shall be sent to the Division of Accounts in a timely manner to effect the payment of the invoice by automated clearing house (ACH) transfer of funds or by state warrant to the vendor. By using the methods prescribed in this policy statement, the State will attempt to take advantage of all vendor discounts, payment of invoices will be made more timely according to the Prompt Payment Act of 1985, the State will not lose interest on its funds due to early payment, and vendors will have access to their funds when payment is due.

#### Effective Date and Applicability

4. This Policy Statement 15 shall become effective upon issuance, and shall be applied to all vendor payments as of the date of issuance and thereafter. This policy statement is applicable to all state agencies and departments that submit disbursement vouchers to the Division of Accounts.

#### **Definitions and Rules**

5. Definitions - The following definitions shall apply to this Policy Statement 15:

- a. Due Date - The date for payment designated by the contract or stated on the invoice. The payment date will be determined from the due date by the Division of Accounts as described under the definition of payment date. If no terms are stated, due date should be thirty (30) days from receipt of the invoice.
- b. Discount Date - The date designated by the terms of the invoice which, if payment is made by that date, entitles the state to a discount.
- c. Payment Date - The date on which the vendor will receive payment on an invoice by virtue of the transfer of those funds into the vendor's bank account by automated transfer of funds. Generally, the payment date for ACH payments will be the same as the due date keyed by the agency, unless the disbursement voucher is not processed in time by the Division of Accounts. For payments made by warrant, this is the date the warrant will be mailed by the State. This date is four working days prior to the due date.
- d. Disputed Invoice - An invoice which has been received for goods or services where the vendor has failed to provide the total amount of goods or services according to the contract, where the quality of goods or services is unacceptable according to the terms of the contract or vendor/agency agreement, where an invoice has been submitted but the agency has not received the goods or services according to the invoice, or where the invoice is otherwise incorrect.
- e. Receiving report/performance certification - The written and dated acknowledgment (including electronically on TOPS) by a designated agency official that goods or services have been received and accepted according to the terms of the vendor contract or agreement. No invoice may be authorized for payment unless a receiving report/performance certification has been completed by the appropriate agency official.

### Rules Regarding Due Date

6. Determination of Due Date - Payments must be supported by basic payment documents showing sufficient information to adequately account for the payments. The authorized agency official shall determine the due date for all invoices which are not disputed invoices in the following manner:

- a. If the terms of the contract or the invoice do not specify a due date or the invoice states "due upon receipt", the due date shall be thirty (30) days from the date of receipt of the invoice or the goods or services, whichever is later.
- b. If the terms of the contract or the invoice specify a discount date, the due date shall be the discount date. This date shall be calculated by counting from the invoice date. If, for example, the terms of the invoice are 2/10 net 30, and the date of the invoice is July 3, the last date for taking the discount is July 12.
- c. If there is no discount date, but a due date is specified in the contract or on the face of the invoice, the due date shall be the due date so specified. If the contract or invoice states that the due date is a certain number of days after receipt of the invoice or receipt of the goods or services, whichever comes later, the due date shall be calculated from the day of the invoice or receipt of the goods or services, whichever is applicable.
- d. If an invoice is a disputed invoice, the agency shall notify the vendor within seven (7) business days after receipt of the invoice that the invoice is disputed. Initial notification should be verbal followed by a written notification if the dispute cannot be resolved immediately by phone. The designated agency official shall negotiate with the vendor the item(s) in dispute and attempt to resolve the dispute. When the dispute is resolved, the date of the resolution shall be recorded. If the dispute is resolved in the State's favor, the resolution date shall become the date of the corrected invoice for determining the due date. If the dispute is resolved in the vendor's favor, the due date according to the contract or the original invoice shall be used to calculate the due date of the invoice.
- e. In the event that an invoice is not received by the paying agency by the due date as a result of incorrect routing within the agency or the state mail system, the agency will pay the vendor immediately, including interest due. If the agency does not receive the invoice prior to the due date as a result of an incorrect mailing address or other vendor error, the due date then becomes the date that the invoice is received by the paying agency. The agency should dispute any discount lost or penalty assessed due to the vendor's mailing error.

7. Preparation of Disbursement Voucher With Due Date - When an invoice is received by the paying agency, if the invoice is not a disputed invoice as defined in this policy statement, or if a disputed invoice has been resolved to the satisfaction of the paying agency, the authorized agency official shall process the invoice for payment upon receipt of the invoice and receipt of the goods and services or resolution of the dispute. The disbursement voucher authorizing payment should be completed according to agency policy with the due date determined according to paragraph 6 of this statement recorded on the disbursement voucher and in STARS. Agencies are required to key into the STARS field entitled "Doc date" the date of the invoice. If no invoice date is present, the date that the invoice was received by the state should be used. The disbursement voucher should be sent to the Division of Accounts as soon as the invoice payment has been approved. The Division of Accounts will process the disbursement voucher for payment when received and the warrant, ACH or LGIP, shall be issued. If received in sufficient time, the warrant shall be written four days prior to the due date. However, the tape sent to the Federal Reserve for transfer of funds by ACH will specify the effective date for the transfer, generally the due date. This ensures that payment to a vendor will be made timely but not before the due date.

Discounts forgone are considered interest paid by the state. All discounts should be taken. All missed discounts should be recorded in Object Code 190 (Discounts Lost) with the exception of utility payments which should be recorded in Object Code 058. Additionally, fees for reconnection of utilities should be recorded in Object Code 058.

8. Guidance For Assigning Due Dates: due dates for agencies to assign for items of a recurring nature are as follows:

- a. Travel claims - use the date the disbursement voucher is prepared.
- b. Temporary travel advances - two working days prior to the trip. (Temporary advances, in general, should not include the registration fee).
- c. THDA Housing Assistance Payments - the first day of the month.
- d. Lease payments - the first day of the month.
- e. Medical payments - in accordance with the terms of the invoice, or if no terms are stated, thirty (30) days from receipt of the invoice.
- f. Rentals - in accordance with the terms of the contract or invoice, or if no terms are stated, thirty (30) days from receipt of the invoice.

### **Agency Responsibility**

9. All disbursement vouchers shall be submitted to the Division of Accounts at least four (4) business days prior to the due date. In order for agencies to comply with the Prompt Payment Act of 1985, the agency should periodically review the payment process and internal control over receipt, acceptance, and payment date determination.

## **Approvals**

Approval of the Commissioner of Finance and Administration - I, Bob Corker, hereby approve of this Policy Statement 15 of the Department of Finance and Administration, and as such agree with and authorize actions necessary to implement its requirements.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_  
Bob Corker, Commissioner  
Department of Finance and Administration

Approval of the Comptroller of the Treasury - I, William R. Snodgrass, hereby approve of the Policy Statement 15 of the Department of Finance and Administration, and as such agree with and authorize actions necessary to implement its requirements.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_  
William R. Snodgrass, Comptroller  
Office of the Comptroller of the Treasury